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May 28, 2003
Project No. 11271-000
Letter No. IPSC-VFD_R1

Intermountain Power Service Corporation

**Engineering Services for Acquisition of
Variable Speed Drives for Intermountain 1 & 2**

Mr. James Nelson
Intermountain Power Service Corporation
850 W. Brushwellman Road
Delta, Utah 84624

Dear Mr. James

In accordance with a telephone conversation between your Mr. J. Christiansen and our Mr. J. Benz on May 27, 2003 we are pleased to submit our proposal to review your Variable Frequency Drive specification, evaluate technical proposals/bidders and prepare a letter of recommendation. I recommend that John Benz, our variable speed drive specialist, coordinate this effort. Mr. D. Roberts will assist Mr. Benz. Mr. Roberts is a Senior Project Engineer that also has very recent experience in the design of drives for large (10,000 Hp) motors. Given the nature of this assignment, we believe that the use of such experienced engineers is appropriate.

We view our role in the purchase of this equipment as primarily a technical consultant. Consequently, we assume that Intermountain Power Service Corporation (IPSC) will develop the commercial terms and conditions, issue the specification for bids and evaluate the proposals commercially. We also assume that the following information is already part of the specification:

- Fan data and curves
- System resistance curves
- Motor and coupling data
- Transformer and reactor data
- Existing parameters of the system
- Auxiliary electrical parameters
- Loss evaluation criteria
- Unit loading parameters
- Existing control interface

(We can assist you in developing this information if it is not already available)

In order to estimate the engineering effort, we have outlined how we envision the procurement process would be conducted. We understand that the process to procure critical equipment varies from project to project and we would be happy to modify the following process as required by IPSC.

The first step will be to have a kick off meeting where we learn what has been completed thus far, understand the basis for the completed work, understand IPSC's operational requirements for the equipment, agree on the procurement process and schedule, and familiarize ourselves with the existing systems and physical arrangements. Ideally this would be a meeting at the station and can occur at IPSC's earliest convenience. If we are limited by time, we can complete much of this by phone and combine Mr. Benz' trip to the site with the prebid meeting. We recommend a prebid meeting be conducted with the bidders so that we can walk them through the plant, clarify the critical requirements in the spec and answer any questions they may have.

Estimated effort: 60 man-hours

We will review the proposals from the vendors and prepare any questions we may have that will be required to get down to a short list of two vendors. A meeting should be arranged with the two short-listed vendors at their facility for them to present their offer and to answer any further questions either party may have. From there we should consider visiting a selected similar installation.

Estimated effort: 80 man-hours

Once this is completed and all outstanding questions have been resolved, we will complete our evaluation and issue the letter of recommendation.

Estimated effort: 40 man-hours

We suggest that this work be performed on a time and material basis as described in our Service Agreement 03-45568, dated December 13, 2002 using the engineering rates listed in our letter dated March 20, 2003. Performing this work on a time and material basis will allow IPSC to reduce or increase our level of support as required during the procurement process. For instance, the cost for our services could be reduced to one half of the stated value if it is decided that trips to the vendor's facilities/installations are not required (i.e., eliminating the middle 80-hour effort).

We estimate the cost for our services to support the procurement process described herein to be less than \$22,000 not including travel expenses. Travel expenses should be less than \$4,000 (4 airline tickets @\$600 ea. and 8 nights in a hotel @\$150 per night plus food). The billing rates for Messrs. Benz and Roberts are \$130 and \$112 per hour, respectively.

I trust that this proposal meets your needs. If it does not, or you have any questions, please contact John at 312-269-2111 or me.

Mr. James Nelson
Intermountain Power Service Corporation

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We thank you for the opportunity to assist you in this project and look forward to the prospect of working together.

Yours very truly,

Jack M. Daly
Project Director

JMD:cl
Enclosure
J. Benz
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